

The following is an English translation of the Notice of the 60th Ordinary General Meeting of Shareholders of Shima Seiki Mfg., Ltd., to be held on June 25, 2021. The Company provides this translation for reference and convenience only and without any guarantee as to its accuracy.

Securities Code: 6222

June 3, 2021

To: Our Shareholders

85 Sakata, Wakayama
SHIMA SEIKI MFG., LTD.
Mitsuhiro Shima
President

Notice of the 60th Ordinary General Meeting of Shareholders

We would like to take this opportunity to thank you for your kind and continuous support. Shima Seiki Mfg., Ltd., (the "Company") will convene the 60th Ordinary General Meeting of Shareholders as stated below. If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. In such a case, please review the reference document for the General Meeting of Shareholders provided below and cast your vote by 5:45 p.m., Thursday, June 24, 2021.

1. **Date and Time** 10:00 a.m., Friday, June 25, 2021 (reception starts at 9:00 a.m.)
2. **Place** High-Vision Hall, Company Headquarters, 85 Sakata, Wakayama
3. **Objectives**

Matters to report

1. The business report, consolidated financial statements, and the results of the consolidated financial statements of audits by the accounting auditor and the Audit & Supervisory Committee for the 60th business period from April 1, 2020, to March 31, 2021.
2. The unconsolidated financial statements for the 60th business period from April 1, 2020, to March 31, 2021.

Proposals to resolve

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Appointment of Eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members)

Proposal No. 3: Giving Share Remuneration-type Stock Options (equity warrants) as Remuneration to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)

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- ◎ Shareholders attending the meeting are asked to submit the enclosed voting form to the receptionist at the venue. In addition, please take this notice with you to save resources.
- ◎ Any amendments to the reference documents for the general meeting of shareholders, business report, consolidated financial statements, or unconsolidated financial statements will be posted on the Company website (<https://www.shimaseiki.co.jp/irj/irj.html>).
- ◎ Of the documents provided under current laws and regulations and the provisions of Article 16 of the Articles of Incorporation, the following items are presented on the Company website (<https://www.shimaseiki.co.jp/irj/irj.html>) and are not presented in the documents attached to the convocation notice.
- (i) Consolidated statements of changes in net assets and notes to the consolidated financial statements
 - (ii) Unconsolidated statements of changes in net assets and notes to the unconsolidated financial statements
- The above consolidated and unconsolidated statements of changes in net assets and notes to the consolidated and unconsolidated financial statements consist of a part of the consolidated and unconsolidated financial statements that were audited in preparing the audit report by the Audit & Supervisory Committee and the accounting audit report by the accounting auditor.
- ◎ **There are no presents prepared for shareholders attending the General Meeting of Shareholders. We hope you will understand.**

Measures to prevent the spread of the COVID-19 infection

We inform you of our measures to prevent the spread of the COVID-19 infection at the General Meeting of Shareholders as follows. We also hope you will understand and cooperate with our measures.

- We hope shareholders planning to attend the General Meeting of Shareholders will check on the status of the spread of COVID-19 and then carefully determine attendance from the aspect of health and safety. Particularly for elderly persons, persons with an underlying disease, pregnant women, and persons in bad physical condition, please sufficiently examine attendance at such meeting.
- Please exercise voting rights in advance by mailing the Voting Rights Exercise Form or online. For more details of the way to exercise voting rights, please see p. 3–4 in this notice.
- Please understand that we may decline your entry into the venue because of insufficient seating at the venue resulting from keeping wide spacing between seats.
- We hope shareholders attending will cooperate and wear a mask, disinfect the fingers and hands with alcohol, and monitor the body temperature with thermography.
- Our staff may stop shareholders identified as having a fever and looking ill and decline their entry into the venue.
- Our staff wear a mask and carefully checks the body temperature and health before dealing with you with a mask.
- We canceled the plant tour planned for after the General Meeting of Shareholders. We hope you will understand.
- The video concerning the matters to be reported on the day of the General Meeting of Shareholders will be available on our website at a later date. Please see it. (<https://www.shimaseiki.co.jp/irj/irj.html>)
- In the event changes in the operation of the General Meeting of Shareholders arise from future conditions, they will be announced on our website. (<https://www.shimaseiki.co.jp/irj/irj.html>)

Instructions on the Exercise of Voting Rights

When attending the General Meeting of Shareholders:

Please present the enclosed voting form to the receptionist at the meeting.

Time and date of the meeting: 10:00 a.m., Friday, June 25, 2021.

When exercising voting rights in writing:

After indicating approval or disapproval of the proposals on the enclosed voting form, please return the completed form to the Company.

Exercise period: No later than 5:45 p.m., Thursday, June 24, 2021.

When exercising voting rights via the Internet:

Please access the website to exercise voting rights as specified by the Company (<https://evote.tr.mufg.jp/>) by personal computer, smartphone, or mobile phone using the login ID and temporary password printed on the enclosed voting form. Enter your vote of approval or disapproval according to the guidance on the screen.

Please refer to the next page for more information.

Exercise period: No later than 5:45 p.m., Thursday, June 24, 2021.

*If voting rights are exercised both in writing and via the Internet, the exercise of such voting rights via the Internet will be deemed valid. In cases where voting rights are exercised more than once via the Internet, the last exercise of such rights will be deemed the valid and official vote. If voting rights are exercised more than once via personal computer, smartphone, and mobile phone, such rights exercised on the last occasion will be deemed effective and valid.

Procedures for Exercising Voting Rights via the Internet

Exercise voting rights via the Internet by accessing the Company's designated **voting rights website** (<https://evote.tr.mufg.jp/>) via personal computer, smartphone, or mobile phone.

Access the website via smartphone **without entering the login ID and temporary password**. You may log in to the website by scanning the **QR code for the login** provided on the right-hand side of the voting stub of the enclosed Voting Rights Exercise Form.

***You may exercise voting rights only once via smartphone.**

If you log in to the website more than once, please follow the instructions below.

Please confirm **the login ID and temporary password, which are indicated on the enclosed Voting Rights Exercise Form**. You will need to enter them when you exercise voting rights via the Internet.

Inquiries about the system (Help Desk)

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division

Phone: 0120-173-027 (9:00 a.m. to 9:00 p.m. <Tokyo Time>; toll-free within Japan only)

[Information on the Electronic Voting Platform (To Institutional Investors)]

Institutional investors may use the electronic voting platform operated by ICJ, Inc., to exercise voting rights via the Internet.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The Company has made it the basic policy to pay stable dividends over the long term through continuous business development by setting profit returns to shareholders as one of the most important managerial issues.

In addition, the Company has a policy of investing balanced allocations for growth from the long-term perspective and internal reserve in preparation for future business development.

According to such policy, the Company will execute the appropriation of a surplus and the payment of the year-end dividend for the current period as follows.

1. Matters concerning the appropriation of a surplus

It is highly regrettable that the Company posted a net loss for the 60th business period and as a result recorded a negative value for retained earnings carried forward. Therefore, the Company asks shareholders to approve the reversal of the general reserve to supplement the losses and stable dividends to shareholders.

(1) Surplus account and amount to be decreased

General reserve: 30,000,000,000 yen

(2) Surplus account and amount to be increased

Retained earnings carried forward: 30,000,000,000 yen

2. Year-End Dividends

To reward shareholders' assistance, the Company will pay year-end dividends for this period as follows:

(1) Type of dividend property

Cash

(2) Distribution of dividends to shareholders and total of dividends

10 yen per share of common stock of the Company.

This will amount to total dividends of 345,114,590 yen.

(3) Effective date of the distribution of retained earnings

June 28, 2021

The interim dividend per share of 10 yen was paid; consequently, the annual dividend per share, which consists of interim and year-end dividends, amounts to 20 yen.

Proposal No. 2: Appointment of Eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members)

For the current eight (8) directors (excluding directors who are Audit & Supervisory Committee members), their terms of office will expire at the closing of the General Meeting of Shareholders. In line with this, the Company asks you to appoint eight (8) directors (excluding directors who are Audit & Supervisory Committee members).

The nomination of candidates for director (excluding directors who are the Audit & Supervisory Committee members) was discussed at the meeting of the Nomination and Remuneration Committee, an advisory body to the Board of Directors, where an outside director is the chair, and outside directors account for 50% or more of the members, for higher transparency and objectivity. The candidates were determined at the meeting of the Board of Directors based on the report from the Nominating and Remuneration Committee.

As a result of the discussion on the proposal at the Audit & Supervisory Committee, the opinion was expressed that all candidates for directors were determined appropriate, and there were no particular matters to be stated at the General Meeting of Shareholders.

The candidates for directors (excluding directors who are Audit & Supervisory Committee members) are as follows:

Candidate No.	Name	Present position in the Company	Characteristics			Number of times in attendance at the meeting of the Board of Directors
1	Masahiro Shima	Chairman, Representative Director	Reappointment			11/12 times
2	Mitsuhiro Shima	President, Representative Director	Reappointment			12/12 times
3	Ikuto Umeda	Director	Reappointment			12/12 times
4	Nanki Takashi	Director	Reappointment			12/12 times
5	Akihiro Ohtani	Executive Officer	Newly appointed			—
6	Shosaku Kitagawa	Executive Officer	Newly appointed			—
7	Yoshio Ichiryu	Director	Reappointment	Outside	Independent	12/12 times
8	Rieko Zamma	Director	Reappointment	Outside	Independent	12/12 times

No.	Name (Date of birth)	Profile, position, responsibility, and significant concurrent positions		Number of shares of the Company held
1	Masahiro Shima (March 10, 1937) <u>Reappointment</u>	July 1961	Founded Sanshin Seiki Mfg. Ltd., (now the Company) President, Representative Director	1,070,000 shares
		March 2009	President, Representative Director, Director of Sales Headquarters	
		June 2017	Chairman, Representative Director (current)	
[Reasons for nomination as a candidate for director] Mr. Masahiro Shima established the Company in 1961 and has developed the group into a leader in the flat knitting machine industry while serving as the president and representative director over a long period. Mr. Shima has substantial experience and knowledge in the R&D field, especially in the development of products from automated glove knitting machines to WHOLEGARMENT® flat knitting machines and has served as the driving force for the group by showing strong leadership at the center of management. He has also supervised the entire management team as chairperson and representative director since 2017. He was determined as a candidate for director because he is expected to continuously contribute to management in light of these results.				
2	Mitsuhiro Shima (June 23, 1961) <u>Reappointment</u>	March 1987	Joined the Company General Manager of the System Development Division	1,061,600 shares
		March 1998	General Manager of the System Development Division	
		June 2002	Director, General Manager of the System Development Division	
		June 2007	Executive Director in charge of the Control System Development Division, Intellectual Property Department and Total Design Center, General Manager of the Graphic System Development Division	
		June 2011	Senior Executive Director in charge of the Machinery Production Technology Division and Total Design Center, Director of the Production Headquarters	
		June 2012	Executive Vice President in charge of the Corporate Planning Division and Total Design Center, Deputy Director of the Sales Headquarters	
		June 2017	President, Representative Director, Director of the Sales Headquarters of the Company in charge of the Corporate Planning Division	
		June 2018	President, Representative Director, Director of the Sales Headquarters of the Company in charge of the Corporate Planning Division	
		June 2020	President, Representative Director and Executive Officer, Director of the Sales Headquarters in charge of the Total Design Center and Corporate Planning Division (current)	
[Reasons for nomination as a candidate for director] Mr. Mitsuhiro Shima has a wide range of work experience as a person responsible for R&D, manufacturing, and sales and substantial experience and knowledge in management as a director. He has served as president and representative director since 2017 and has been engaged in the control of the group, including leading the establishment of the long-term vision and preparation of the medium-term management plan to make decisions regarding significant matters on the management and supervise the execution of operations. He was determined as a candidate for director because he is expected to continuously contribute to management in light of these results.				

No.	Name (Date of birth)	Profile, position, responsibility, and significant concurrent positions		Number of shares of the Company held
3	Ikuto Umeda (February 20, 1957) <u>Reappointment</u>	May 1990	Joined the Company	155,100 shares
		March 1998	Manager of the Senshu Branch, Sales Division	
		June 2004	Director, General Manager of the Export Division	
		November 2007	Director, General Manager of the Export Division, CEO of Shima Seiki Win Win Ltd. (now Shima Seiki (Hong Kong) Ltd.)	
		November 2008	Director in charge of the Export Division, CEO of Shima Seiki Win Win Ltd.	
		March 2009	Director, CEO of Shima Seiki Win Win Ltd.	
		March 2013	Director, General Manager of the Corporate Planning Division, CEO of Shima Seiki (Hong Kong) Ltd.	
		June 2013	Executive Director, Vice Director of the Sales Headquarters, General Manager of the Corporate Planning Division, CEO of Shima Seiki (Hong Kong) Ltd.	
		June 2018	Senior Executive Director, Executive Officer, and Director of the Sales Headquarters in charge of the Total Design Center	
June 2020	Director, Executive Officer, CEO of Shima Seiki (Hong Kong) Ltd. (current)			
[Reasons for nomination as a candidate for director] Mr. Ikuto Umeda has led management of overseas subsidiaries as CEO of subsidiaries in China/Hong Kong over many years, and he has substantial global experience and results. He has made decisions regarding significant managerial matters and supervises the execution of operations as a director while performing his duties and fulfilling his responsibilities. He was determined as a candidate for director because he is expected to continuously contribute to management in light of these results.				
4	Takashi Nanki (March 28, 1959) <u>Reappointment</u>	March 1986	Joined the Company	900 shares
		November 2008	General Manager of the Accounting Division	
		May 2010	General Manager of the Accounting and Finance Division	
		June 2010	Director in charge of Administration Division, General Manager of the Accounting and Finance Division	
		March 2013	Director in charge of the Administration Division and Physical Distribution Division, General Manager of the Accounting and Finance Division	
		July 2013	Director in charge of the Physical Distribution Division, General Manager of the Accounting and Finance Division	
		November 2014	Director, General Manager of the Accounting and Finance Division, in charge of the Physical Distribution Division	
		March 2016	Director, General Manager of the Accounting and Finance Division, in charge of the Administration Division and Physical Distribution Division	
		June 2018	Director, Executive Officer, and General Manager of the Accounting and Finance Division in charge of the General Affairs and Personnel Division, Administration Division, and Physical Distribution Division	
June 2020	Director, Executive Officer, Director of the Administrative Headquarters in charge of the Physical Distribution Division (current)			
[Reasons for nomination as a candidate for director] Mr. Takashi Nanki has been responsible for the Accounting and Finance Division and in charge of personnel/labor management and IR, Administrative Division, and Information System Division and has controlled the Business Management Division of our group, and he has substantial knowledge and achievements. He has made decisions regarding significant matters on management and supervised the execution of operations from the financial viewpoint, as well as managed the internal control field, including the strengthening of corporate governance, compliance, and risk management to appropriately perform duties and responsibilities as director. He was determined as a candidate for director because he is expected to continuously contribute to management in light of these results.				

No.	Name (Date of birth)	Profile, position, responsibility, and significant concurrent positions		Number of shares of the Company held
5	Akihiro Ohtani (November 20, 1963) <u>Newly appointed</u>	August 1988 March 2018 June 2018	Joined the Company General manager of the Production Headquarters Executive officer and general manager of the Production Headquarters (current)	1,300 shares
	<p>[Reasons for nomination as a candidate for director]</p> <p>Mr. Akihiro Ohtani has been engaged in the development of a variety of products in the Development Division after joining the Company and was then responsible for the Manufacturing Division, and he has substantial knowledge and achievements in fields ranging from product development to manufacturing. He currently shows strong leadership and controls the Production and Manufacturing Divisions as the general manager of the Production Headquarters.</p> <p>He was determined as a candidate for director because he was expected to sufficiently play a role in the decisions regarding important managerial matters and the supervision of the execution of operations using his experience.</p>			
6	Shosaku Kitagawa (June 23, 1967) <u>Newly appointed</u>	March 1991 March 2016 June 2018	Joined the Company General manager of the Corporate Planning Division Executive officer and general manager of the Corporate Planning Division (current)	500 shares
	<p>[Reasons for nomination as a candidate for director]</p> <p>Mr. Shosaku Kitagawa has been engaged in services at the Accounting and Finance Division since joining the Company, and he has substantial experience and knowledge of the accounting and finance fields. He also leads the preparation of the medium-term management plan and development of new businesses, including M&As as a person responsible for the Corporate Planning Division.</p> <p>He was determined as a candidate for director because he was expected to sufficiently play a role in the decisions regarding important managerial matters and supervision of the execution of operations using his experience.</p>			

No.	Name (Date of birth)	Profile, position, responsibility, and significant concurrent positions	Number of shares of the Company held
7	Yoshio Ichiryu (January 3, 1946) <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	<p>April 1968 Joined the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry)</p> <p>June 1993 Director-General, MITI-Kinki Bureau</p> <p>June 1995 Director-General, Machinery and Information Industries Policy, Machinery and Information Industries Bureau</p> <p>August 1996 Director-General for Policy Coordination, Minister's Secretariat</p> <p>June 1998 Retired the MITI</p> <p>July 2000 Established Ichiryu Associates, Inc. President & CEO (current)</p> <p>June 2014 Director (current)</p> <p>(Significant concurrent positions) President & CEO, Ichiryu Associates, Inc. Outside Director, Sala Corporation</p>	10,700 shares
<p>[Reasons for nomination as a candidate for outside director and expected roles]</p> <p>Mr. Yoshio Ichiryu has substantial experience in the field of economic and industrial policies and broad knowledge and experience in management as a business administrator. He also fulfills the appropriate roles of outside director, including supervision of the execution of operations from an objective viewpoint independent of management. He also supervises the nomination and remuneration of officers as the chair of the Nominating and Remuneration Committee, an advisory body to the Board of Directors.</p> <p>He was determined as a candidate for outside director as he was continuously expected to give advice from a wide management viewpoint and supervise the execution of operations.</p>			

No.	Name (Date of birth)	Profile, position, responsibility, and significant concurrent positions	Number of shares of the Company held
8	Rieko Zamma (March 21, 1950) <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	<p>April 1970 Joined Shizuoka Broadcasting System Co., Ltd.</p> <p>June 1973 Joined Kobunsha Co., Ltd.</p> <p>June 1980 Established Candid, Inc. (now Candid Communications, Inc.) CEO</p> <p>July 2005 Established Creative Senior, Inc. (now Candid Produce, Inc.) CEO (current)</p> <p>January 2009 Established club willbe, a network for grownups Representative (current)</p> <p>June 2016 Director (current)</p> <p>(Significant concurrent positions) CEO, Candid Produce, Inc. Outside Director, Fujita Kanko Inc. Outside Director, IBJ, Inc. Outside Director, BeNEXT-Yumeshin Group Co. (the former BeNEXT Group Inc.)</p>	500 shares
	<p>[Reasons for nomination as a candidate for outside director and expected roles] Ms. Rieko Zamma has substantial experience in the planning of events and the promotion of advertising strategies as a producer with a wide range of insights and experience in management as a business administrator. She also serves as an outside director for the supervision of the execution of operations from an objective viewpoint independent of management. She also supervises the nomination and remuneration of officers as a Nominating and Remuneration Committee member, an advisory body to the Board of Directors.</p> <p>She was determined as a candidate for outside director as she was continuously expected to give advice from a wide management viewpoint and supervise the execution of operations.</p>		

(Notes)

- Director candidates Mr. Masahiro Shima and Mr. Mitsuhiro Shima have all the shares of Wajima Kosan Co., Ltd., a major shareholder of the Company, and the Company has transaction relationships in real estate leasing with Wajima Kosan.
There are no special interests between other director candidates and the Company.
- The number of shares held by each candidate includes their shareholding through the stock ownership plan for officers of Shima Seiki.
- The Company has an agreement with Mr. Yoshio Ichiryu and Ms. Rieko Zamma concerning the limitation of liability for damage as provided in Article 423, Paragraph 1, of the Companies Act. The limit of liability under the agreement is the minimum liability provided in Article 425, Paragraph 1, of the same law. The Company will maintain the above agreement with both persons concerning the limitation on liability for damage if they are reappointed.
- The Company has the directors and officers liability insurance policy, which is stipulated in Article 430-3, Paragraph 1, of the Companies Act, with all directors being insured. The insurance policy covers damages arising from the fact that the insured directors are responsible for executing their duties or claims against them related to the pursuit of their responsibilities. Candidates for director are insured by the insurance policy when they become a director. The insurance policy will be renewed during their terms of office without changes in its provisions.
- Matters concerning candidates for outside director are as follows.
 - Mr. Yoshio Ichiryu and Ms. Rieko Zamma are candidates for outside director.
 - Mr. Yoshio Ichiryu will serve as an outside director for seven years as of the end of the general meeting of shareholders.
 - Ms. Rieko Zamma will serve as an outside director of the Company for five years as of the end of the general meeting of shareholders.
- The Company designated Mr. Yoshio Ichiryu and Ms. Rieko Zamma as independent officers based on the provisions of the Tokyo Stock Exchange and reported this to the exchange.

[Reference] Criteria for the independence of outside directors

All the following requirements shall be satisfied to determine that outside directors are independent of the Company:

1. Outside directors have not been an executor of the business^{Note 1} of the Company and its affiliated companies (hereinafter called “our group”) for the past ten years.
2. Outside directors do not now nor have in the past three years met any of the following conditions:
 - (1) A person whose major client is our group^{Note 2} or its executor of business
 - (2) A major client of our group^{Note 3} or its executor of business
 - (3) A major shareholder (a person directly or indirectly holding 10% or more of all voting rights) of the Company or its executor of business
 - (4) An executor of the business of a person whose major shareholder (directly or indirectly holding 10% or more of all voting rights) is our group
 - (5) A consultant, accounting specialist, such as a certified public accountant, or a specialist in the law, such as an attorney who receives money and other properties^{Note 4} from the group, in addition to an director’s remuneration (a person belonging to a legal entity and a union in the case where the organization receives the above properties)
 - (6) A person who receives large contributions in money and other property^{Note 4} from our group or its executor of business
 - (7) An executor of the business of other companies where an executor of the business of our group is an outside officer
 - (8) The spouse or relative within the second degree of a person meeting the criteria of (1)–(7) above in the case where the person is significant
 - (9) The spouse or relative within the second degree of a person executing significant business, such as a director (excluding an outside director), and the person responsible for the divisions of our group
3. There are no other reasons for judging it reasonable that outside directors fail to perform duties as independent outside directors

Note 1: An executor of business means an executive director, company executive, executive officer, and employee executing business and other persons executing business, such as a position holder and employee similar to the above of legal entities and other organizations.

Note 2: A person whose main client is our group means a person whose annual amount of trade with our group is above 100 million yen or 2% of consolidated sales.

Note 3: A major client of our group means a person whose annual amount of trade with our group is above 100 million yen or 2% of our group’s consolidated sales, and loans to our group are above 2% of our group’s consolidated total assets.

Note 4: Large amounts of money and other property mean that the total amount is more than 10 million yen per year for individuals and 2% of annual net sales for organizations.

Proposal No. 3: Giving Share Remuneration-type Stock Options (equity warrants) as Remuneration to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)

The Company obtained approval concerning the issue of equity warrants as share remuneration-type stock options within 100 million yen or less per year to the directors (excluding directors who are Audit & Supervisory Committee members and outside directors) at the 59th Ordinary General Meeting of Shareholders held on June 25, 2020.

In association with the recent revisions of the Companies Act, the proposal is to ask you to approve the adding of new contents (underlined portions) to the above approved contents of the equity warrants and giving share remuneration-type stock options (equity warrants) within 100 million yen or less per year to directors (excluding directors who are Audit & Supervisory Committee members and outside directors) separately from the overall limit of base remuneration in future as before.

The specific contents of the equity warrants included in the proposal are not to substantially change the contents resolved at the 59th Ordinary General Meeting of Shareholders but to supplement the contents according to the requirements clarified by revisions to the Companies Act.

The share remuneration-type stock options are to pay to directors subject to the grant of equity warrants (excluding directors who are Audit & Supervisory Board members and outside directors) the monetary remuneration equivalent to the total amount of the equity warrants to offset the relevant monetary remuneration receivable by equity warrants payable.

The applicable directors (excluding directors who are Audit & Supervisory Committee members and outside directors) now total six (6), and they will total six (6) from the closing of the General Meeting of Shareholders when the Proposal No. 2: Appointment of eight (8) directors (excluding directors who are the Audit & Supervisory Committee members) are approved and resolved without changes.

The Company proposes to give the Board of Directors discretion in the timing of the issue of equity warrants to directors and allocations of the equity warrants to directors.

Note

1. Reasons for allocating the equity warrants to directors as remuneration

The allocation of equity warrants is designed to function as a health incentive for directors (excluding directors who are Audit & Supervisory Board members and outside directors) to maintain and increase the sustainable enterprise value of our group and further share the value with shareholders from the mid- and long-term viewpoint.

2. Contents of the equity warrants as share remuneration-type stock options

(1) Subject to allocation of the equity warrants

Directors of the Company (excluding directors who are Audit & Supervisory Committee members and outside directors)

(2) Classes and numbers of shares subject to the equity warrants

The shares subject to equity warrants will be common shares. The number of shares subject to each equity warrant (hereinafter called the “number of shares provided”) will be 100.

In the case of a share split, free share awards, or a reverse split, the number of shares provided will be adjusted by the following formula. However, the adjustment is made only to equity warrants not exercised as of that time, and any fractions less than one share arising from the adjustment would be rounded down.

Adjusted number of shares provided = Unadjusted number of shares provided × Ratio of a share split, free share awards, or a reverse split

When the equity warrants are succeeded because of an absorption- or consolidation-type merger or the exchange or transfer of shares making us a wholly owned subsidiary, we will be able to adjust the number of shares we think necessary according to the ratio of mergers and other factors.

(3) Upper limit of the equity warrants

The upper limit will be 500 equity warrants issued to directors within one year after the date of the ordinary general meeting of shareholders for each fiscal year. The equity warrants are allocated on an annual basis.

(4) Paid-in amount of the equity warrants

The paid-in amount will be the fair value calculated on the date of allocation of the equity warrants by the Black-Scholes model and other methods. The amounts will be offset by the equivalent remuneration claims.

(5) Value of the property contributed in exercising the equity warrants

Money will be the property contributed in exercising each equity warrant. The value will be the number of shares to be issued by exercise of the equity warrants multiplied by 1 yen per share.

(6) Exercise period of the equity warrants

The exercise period will be up to 30 years from the day after the allocation date of the equity warrants to be determined by the Board of Directors.

(7) Terms and conditions of exercise of the equity warrants

Subscribers receiving allocations of equity warrants (hereinafter called “holders of equity warrants”) will be able to exercise the equity warrants for a period from one day after losing the position as director to 10 days after.

Other the terms and conditions of the exercise of equity warrants will be determined by the Board of Directors.

(8) Restriction on transfer of the equity warrants

Acquiring equity warrants by transfer will require the approval of the Board of Directors.

(9) Treatment of a fraction less than one share in the number of shares to be issued at the time of exercise

In the number of shares to be issued to the holders of equity warrants, any fraction less than one share will be rounded down.

(10) Provision on acquisition of the equity warrants

The Company shall be able to acquire the equity warrants without charge on the day separately determined by the Board of Directors when any of the following proposals is approved at our General Meeting of Shareholders (the resolution is adopted at the meeting of the Board of Directors in the event that it is not required to adopt the resolution at the General Meeting of Shareholders).

- The proposal on the approval of the merger agreement in which the Company will be a nonsurviving company

- The proposal on the approval of the company split agreement or incorporation-type company split plan in which the Company will be a split company
- The proposal on the approval of the share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary
- The proposal on the approval of the amendment to the articles of incorporation establishing the provision that for all stocks issued by the Company their acquisition by transfer shall require approval of the Company
- The proposal on the approval of the amendment to the articles of incorporation establishing the provision that for class shares subject to the equity warrants their acquisition by transfer shall require approval of the Company or all of them shall be acquired by the Company upon the resolution of the General Meeting of Shareholders

(11) Other details of the equity warrants

Details of the above items (2) - (10) and other details of the equity warrants will be determined by the Board of Directors, which makes all decisions regarding the offer of equity warrants.

(Reference)

The Company will annually allocate to our executive officers the same details of share remuneration-type stock options (equity warrants) as the above-mentioned share remuneration-type stock options (equity warrants) to directors (excluding directors who are Audit & Supervisory members and outside directors).